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OF COUNSEL
URBAN A. LESTER

SURFACE TRANSPORTATION BOARD

December 21, 2007

Mr. Vernon A. Williams
Secretary
Surface Transportation Board
Washington, D.C. 20423

Re: Canadian Pacific Railway Company

Dear Mr. Williams:

Enclosed for recordation pursuant to the provisions of 49 U.S.C. Section 11301(a) are two (2) copies of an Assignment and Assumption Agreement, dated as of December 21, 2007, a secondary document as defined in the Board's Rules for the Recordation of Documents.

The enclosed document relates to the documents previously filed with the Board under Recordation Number 23735.

The names and addresses of the parties to the enclosed document are:

Seller Assignor: The Grand Leasing Partnership, LLP
c/o Railroad Leasing Unlimited
Queensgate House
P O Box 1093 GT
South Church Street
Grand Cayman
Cayman Islands

Buyer/Assignee: Babcock & Brown Rail Funding LLC
885 Second Avenue, 49th Floor
New York, NY 10017

Mr. Vernon A. Williams
December 21, 2007
Page 2

Head Lessee: North America Rail Leasing #3 LLC
(d/b/a Babcock & Brown Rail Leasing)
885 Second Avenue, 49th Floor
New York, NY 10017

A description of the railroad equipment covered by the enclosed document
is:

30 gondola railcars: ATW 80001 - ATW 80030.

A short summary of the document to appear in the index is:

Assignment and Assumption Agreement.

Also enclosed is a check in the amount of \$35.00 payable to the order of
the Surface Transportation Board covering the required recordation fee.

Kindly return stamped copies of the enclosed document to the
undersigned.

Very truly yours,



Robert W. Alvord

RWA/sem
Enclosures

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SURFACE TRANSPORTATION BOARD

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement dated as of December 21, 2007 (this "Agreement"), is between The Grand Leasing Partnership, LLP, a Delaware limited liability partnership (the "Seller"), North America Rail Leasing #3 LLC (the "Head Lessee") and Babcock & Brown Rail Funding LLC, a Delaware limited liability company (the "Buyer"). Capitalized terms used herein without definition shall have the meanings ascribed thereto in the Purchase Agreement (defined below), which also contains rules of usage that apply to terms defined therein and herein.

RECITALS:

- A. The Seller is the owner of the railcars described on Exhibit A hereto (the "Equipment").
- B. Concurrently herewith, the Seller and the Buyer have executed and delivered the Purchase Agreement [Grand Leasing/BBRF] dated as of the date hereof (as amended, modified or supplemented, the "Purchase Agreement") in respect of the Equipment.
- C. The Purchase Agreement contemplates the execution and delivery of this Agreement by the Seller, the Head Lessee and the Buyer on the date hereof.

NOW, THEREFORE, in consideration of the mutual promises contained herein and other consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows.

1. Assignment. Effective as to each item of Equipment from and after the date hereof, pursuant to Section 11 of the Head Lease the Seller directs the Head Lessee to assign, transfer and convey to the Buyer, and each of the Seller and the Head Lessee, respectively, hereby assigns, transfers and conveys to the Buyer all of the Seller's and the Head Lessee's respective rights, title and interest, except as reserved under Section 2.1 of the Purchase Agreement, in and to such item of Equipment and assigns to the Buyer all of the Seller's and the Head Lessee's respective rights and obligations, except to the extent constituting Existing Obligations, under each of the agreements listed on Exhibit A hereto as they relate to the applicable Equipment and all of the other agreements and documents listed in Schedule 1 to the Purchase Agreement (collectively, the "Assigned Operative Agreements").

Notwithstanding the foregoing, each of the Seller, and the Head Lessee and the Buyer shall continue to be entitled to the benefit of any applicable rights to indemnification for tax and other matters which arose or may arise from or be related to any event or circumstance occurring or in existence prior to the date hereof, as specified in the Purchase Agreement.

2. Acceptance of Assignment; Effect of Assignment. The Buyer accepts the assignment contained in Section 1 and agrees to be bound to the same extent as the Seller and the

Head Lessee by all the terms of the Assigned Operative Agreements. Effective on and after the date hereof, after giving effect to the transaction described herein, the Buyer shall be deemed to stand in the place of the Seller for all purposes under the applicable Assigned Operative Agreements and each reference in the Assigned Operative Agreements to the Seller shall be deemed to mean the Buyer.

3. Amendments. No provision of this Agreement may be amended, modified or waived except by written agreement duly executed by each of the parties hereto.

4. Notices. All notices, requests or other communications to or upon any party hereto in connection herewith shall be given in the manner prescribed by Section 9.5 of the Purchase Agreement.

5. Headings. The section headings used in this Agreement are for convenience of reference only and shall not be used or construed to define, interpret, expand or limit any provision hereof.

6. Counterparts. This Agreement may be executed in separate counterparts, each of which when so executed shall be deemed to be an original and all of which taken together shall constitute one and the same agreement.

7. Governing Law. This Agreement shall be governed by, and construed and enforced in accordance with, the laws of the State of New York, without giving effect to the conflict of law rules thereof, other than Section 5-1401 of the New York General Obligations Law.

8. Recordation. The Buyer and the Seller agree to record this Agreement with the Surface Transportation Board and with the Registrar General of Canada, if applicable, to evidence the assignment by the Seller to the Buyer of the Seller's rights under the Lease, if and only if the Lease has been recorded with the Surface Transportation Board and/or the Registrar General of Canada, as the case may be.

9. Further Assurances. Each of the parties hereto covenants and agrees that, at any time and from time to time after the date hereof, at the request and expense of the requesting party hereto, it will promptly and duly execute and deliver, or cause to be executed and delivered, to the requesting party all such further instruments and take all such further action as may be reasonably requested by such party to more effectively sell, transfer, assign, and convey each item of Equipment.

10. Binding Agreement. This Agreement shall be binding upon the Seller and the Buyer, their respective successors and permitted assigns, for the use and purposes set forth and referred to herein, effective as of the date hereof.

[Remainder of page intentionally left blank]

IN WITNESS WHEREOF, this Assignment and Assumption Agreement has been duly executed by the parties hereto as of the date first above written.

THE GRAND LEASING PARTNERSHIP, LLP, as
Seller

By: Lloyds TSB Equipment Leasing (No. 5)
Limited, its General Partner

By: _____

Name:

Title: RICHARD BARKER
SOLICITOR

NORTH AMERICA RAIL LEASING #3 LLC, as
Head Lessee

By: _____

Name:

Title:

BABCOCK & BROWN RAIL FUNDING I.L.C., as
Buyer

By: _____

Name:

Title:

IN WITNESS WHEREOF, this Assignment and Assumption Agreement has been duly executed by the parties hereto as of the date first above written.

THE GRAND LEASING PARTNERSHIP, LLP, as
Seller

By: Lloyds TSB Equipment Leasing (No. 5)
Limited, its General Partner

By: _____
Name:
Title:

NORTH AMERICA RAIL LEASING #3 LLC, as
Head Lessee

By: 
Name: Larry Littlefield
Title: Vice President

BABCOCK & BROWN RAIL FUNDING LLC, as
Buyer

By: 
Name: Larry Littlefield
Title: Vice President

State of New York)
County of New York)

On this, the 11th day of December, 2007, before me, a Notary Public in and for said County and State, personally appeared Richard Barker, the Attorney of The Grand Leasing Partnership, LLP, who acknowledged himself/~~herself~~ to be a duly authorized person of The Grand Leasing Partnership, LLP, and that, as such duly authorized person, being authorized to do so, he/she executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: Nancy J. Neubaum
Notary Public

My Commission Expires: 04/10/2011

Residing in: New York, NY

NANCY J. NEUBAUER
Notary Public, State of New York
No. 01NE5041602
Qualified in New York County
Commission Expires April 10, 2011

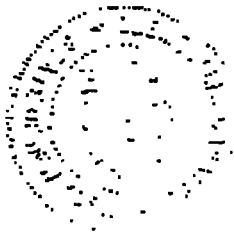
State of New York)
County of New York)

On this, the 11th day of December, 2007, before me, a Notary Public in and for said County and State, personally appeared Larry Littlefield, the Vice President of Babcock & Brown Rail Funding LLC, who acknowledged ~~himself~~ herself to be a duly authorized officer of Babcock & Brown Rail Funding LLC, and that, as such officer, being authorized to do so, ~~he~~ she executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: Clementina Capasso
Notary Public

My Commission Expires: **CLEMENTINA CAPASSO**
NOTARY PUBLIC, STATE OF NEW YORK
No. 01686120806
QUALIFIED IN NEW YORK COUNTY
Residing in: _____ **MY COMMISSION EXPIRES DEC. 27, 2008**



State of New York)
County of New York)

On this, the 11th day of December, 2007, before me, a Notary Public in and for said County and State, personally appeared Larry Littlefield, the Vice President of North America Rail Leasing #3 LLC, who acknowledged himself/herself to be a duly authorized officer of North America Rail Leasing #3 LLC, and that, as such officer, being authorized to do so, he/she executed the foregoing instrument for the purposes therein contained.

IN WITNESS WHEREOF, I have hereunto set my hand and official seal on the date above mentioned.

Name: Clementina Capasso
Notary Public

My Commission Expires: **CLEMENTINA CAPASSO**
NOTARY PUBLIC, STATE OF NEW YORK
NO. 01CAB720806
QUALIFIED IN NEW YORK COUNTY
Residing in: MY COMMISSION EXPIRES DEC. 27, 2008



Exhibit A
(to Assignment
and Assumption Agreement)

EQUIPMENT AND LEASES

Lease #	Lessee	# of Units	Year Built/ Manufacturer	Description	Reporting Marks	Casualty Marks
1	Public Service of Oklahoma	116	1997	286,000 GRL Aluminum rotary gondola railcars.	AEPX 7558 - 7673, inclusive.	None.
2	Canadian Pacific Railway Company	30	2001	42' covered coil gondola railcars	ATW 80001-80030, inclusive	None
3	Norfolk Southern Railway Company	220	2001	42' covered coil gondola railcars	NS 164480-164699, inclusive	None
4	LaFarge Corporation - Group #2	35	1999	3,230 CF pressure differential covered hopper railcars	CEFX 95071, 95094-95096, inclusive, 95100, 95105-95117, inclusive, 95120-95125, inclusive, 95127, 95132, 95134-95138, inclusive, 95140, 95141, 95143 and 95144.	None
5	LaFarge Corporation - Group #3	30	2001	3,230 CF pressure differential covered hopper railcars	CEFX 95622-95624, inclusive, 95628-95634, inclusive, 95636-95639, inclusive, 95642, 95644, 95666-95668, inclusive, 95671, 95672, 95675, 95676, 95712-95715, inclusive, and 95717-95719, inclusive.	None

Lease No. 1

Master Net Railcar Lease dated as of December 16, 2004 between Babcock & Brown Rail Leasing Co. and Public Service Company of Oklahoma.

Schedule No. 01 dated as of December 16, 2004 between North America Rail Leasing #3 LLC (d/b/a Babcock & Brown Rail Leasing) and Public Service Company of Oklahoma.

Lease Amendment No 01 dated as of April 11, 2005 to that certain Master Net Railcar Lease dated as of December 16, 2004 between North America Rail Leasing #3 LLC (d/b/a Babcock & Brown Rail Leasing) and Public Service Company of Oklahoma.

Lease No. 2

Master Net Railcar Lease is dated as of Oct 26, 2004, effective as of April 1, 2004, between North American Rail Leasing # 33 LLC (d/b/a Babcock & Brown Rail Leasing) and Canadian Pacific Railway Company.

Schedule No. 01 dated as of October 26, 2004, and effective as of April 1, 2004, between The Grand Leasing Partnership, LLP, and Canadian Pacific Railway Company.

Lease Extension Agreement No. 01 entered into as of March 14, 2005, and is effective as of April 1, 2005, between North American Rail Leasing #3 LLC (as successor by merger to North American Rail Leasing #33 LLC) and Canadian Pacific Railway Company.

Lease 3

Master Railcar Lease is dated as of April 28, 2004, effective as of April 1, 2004, between The Grand Leasing Partnership, LLP and Norfolk Southern Railway Company.

Schedule No. 01 dated as of April 28, 2004, and effective as of April 1, 2004, between The Grand Leasing Partnership, LLP, and Norfolk Southern Railway Company.

Lease 4 – LaFarge #2

Master Railcar Lease made as of June 23, 2000, effective as of July 1, 1999, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

Rider A to Master Railcar Lease dated as of June 23, 2000, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

Schedule No. 03 to Master Railcar Lease, dated as of June 23, 2000, made as of August 10, 2000, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

Lease Extension Certificate for the Period of April 1, 2001 through March 31, 2008, entered into as of April 30, 2001, effective as of April 1, 2001, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

Lease 5 – LaFarge #3

Master Railcar Lease made as of June 23, 2000, effective as of July 1, 1999, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation

Rider A to Master Railcar Lease dated as of June 23, 2000, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

Schedule No. 05 to Master Railcar Lease, dated as of June 23, 2000, made as of May 9, 2001, between The CIT Group/Equipment Financing, Inc. and LaFarge Corporation.

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CERTIFICATION

I, Robert W. Alvord, attorney licensed to practice in the State of New York and the District of Columbia, do hereby certify under penalty of perjury that I have compared the attached copy with the original thereof and have found the copy to be complete and identical in all respects to the original document.

Dated: 12/21/07



Robert W. Alvord